

98TH CONGRESS
1ST SESSION

H. R. 4487

To amend part B of title XVIII of the Social Security Act to provide for two additional voluntary insurance options for medicare beneficiaries permitting coverage of certain gaps in medicare coverage and covering selected outpatient prescription drugs for the treatment of chronic illness.

IN THE HOUSE OF REPRESENTATIVES

NOVEMBER 18, 1983

Mr. BONKER introduced the following bill; which was referred jointly to the Committees on Ways and Means and Energy and Commerce

A BILL

To amend part B of title XVIII of the Social Security Act to provide for two additional voluntary insurance options for medicare beneficiaries permitting coverage of certain gaps in medicare coverage and covering selected outpatient prescription drugs for the treatment of chronic illness.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the “Supplementary Medical
4 Insurance Improvements Act of 1983”.

5 SEC. 2. (a) Part B of title XVIII of the Social Security
6 Act is amended by adding at the end the following new sec-
7 tions:

1 “MEDICARE OPTION FOR COMPREHENSIVE COVERAGE

2 “SEC. 1845. (a)(1) Each individual enrolled (or eligible
3 to be enrolled) under this part may elect, only in such manner
4 and form and at such times as may be prescribed by regula-
5 tions consistent with this section, to be provided the benefits
6 described in subsection (b).

7 “(2) Each individual deemed to be enrolled under this
8 part under section 1837(f), or who is otherwise enrolled
9 under this part, shall be deemed to have elected coverage
10 under this section unless the individual files notice that the
11 individual does not wish (or no longer wishes) to have cover-
12 age under this section.

13 “(3) An individual who files such a notice may not elect
14 coverage under this section except during a general enroll-
15 ment period described in section 1837(e).

16 “(4) The coverage period during which an individual is
17 entitled to benefits under this section shall begin—

18 “(A) in the case of an individual who is deemed to
19 have elected coverage under this section, on the first
20 day of the first month in which the individual is enti-
21 tled to benefits under this part under section 1838, or

22 “(B) in the case of an individual who otherwise
23 elects coverage under this section and who has previ-
24 ously filed a notice not to elect coverage under this
25 section, on the first day of the month following the

1 month in which he so enrolls but in no case earlier
2 than 12 months after the first month in which such
3 notice to not elect such coverage was made.

4 “(5) An individual coverage period under this section
5 shall continue until—

6 “(A) the individual’s enrollment under this part is
7 terminated (pursuant to section 1838(b)),

8 “(B) the individual has filed notice that the indi-
9 vidual no longer wishes coverage under the option
10 under this section, or

11 “(C) the coverage period is terminated for non-
12 payment of premiums under this section.

13 The termination of a coverage period under subparagraph (A)
14 shall take effect as of the date of termination under section
15 1838(b). The termination of a coverage period under subpara-
16 graph (B) shall take effect (except as otherwise provided
17 under section 1843(e)) at the close of the calendar quarter
18 following the calendar quarter in which the notice is filed,
19 except that where an individual who is deemed to have elect-
20 ed the option of coverage under this section under paragraph
21 (2) files a notice before the first day of the month in which his
22 coverage period under this section begins, advising that he
23 does not wish such coverage, the termination of the coverage
24 of the coverage period resulting from such deemed enrollment
25 shall take effect with the first day of the month the coverage

1 would have been effective. The termination of a coverage
2 period under subparagraph (C) shall take effect on a date
3 determined under regulations, which may be determined so
4 as to provide a grace period in which overdue premiums may
5 be paid and coverage continued. The grace period determined
6 under the preceding sentence shall not exceed 90 days,
7 except that it may be extended to not to exceed 180 days in
8 any case where the Secretary determines that there was
9 good cause for failure to pay the overdue premiums within
10 such 90-day period.

11 “(6) No benefits shall be available under this part with
12 respect to expenses of an individual covered under this sec-
13 tion unless such expenses were incurred by such individual
14 during a period which, with respect to the individual, is a
15 coverage period under this section.

16 “(b) The benefits provided under this section shall con-
17 sist of the entitlement to have the following changes in the
18 manner in which payment is otherwise made (or benefits are
19 otherwise provided) under this title:

20 “(1) There would be no limitation under subsec-
21 tions (a) and (b)(1) of section 1812 on the number of
22 days of inpatient hospital services which may be pro-
23 vided during any spell of illness.

1 “(2) There would be no reduction in payments
2 made for coinsurance amounts described in the second
3 sentence of section 1813.

4 “(3) ‘100 percent’ would be substituted for ‘80
5 percent’ each place it appears in section 1833(a) and ‘0
6 per centum’ would be substituted for ‘20 per centum’
7 each place it appears in section 1866(a)(2)(A).

8 “(c)(1) The Secretary shall, during September of 1984
9 and of each year thereafter, determine the monthly actuarial
10 rate for enrollees under this section which shall be applicable
11 for the succeeding calendar year. Such actuarial rate shall be
12 the amount the Secretary estimates to be necessary so that
13 the aggregate amount for such calendar year with respect to
14 enrollees electing coverage under this section will equal the
15 total of the benefits and administrative costs which the Secre-
16 tary estimates will be payable from the Federal Hospital In-
17 surance Trust Fund and from Federal Supplementary Medi-
18 cal Insurance Trust Fund and attributable to benefits pro-
19 vided under this section. In calculating the monthly actuarial
20 rate, the Secretary shall include an appropriate amount for a
21 contingency margin.

22 “(2) Except as provided in paragraph (3), the monthly
23 premium of each individual covered under this section for
24 each month shall be the amount equal to the monthly actuar-
25 ial rate for enrollees, determined under paragraph (1) and

1 applicable to such month. Whenever the Secretary promul-
2 gates the dollar amount which shall be applicable as the
3 monthly premium for any period, he shall, at the time such
4 promulgation is announced, issue a public statement setting
5 forth the actuarial assumptions and bases employed by him in
6 arriving at the amount of an adequate actuarial rate for en-
7 rollees as provided in paragraph (1).

8 “(3) If any monthly premium otherwise determined
9 under this paragraph is not a multiple of 10 cents, such pre-
10 mium shall be rounded to the nearest multiple of 10 cents or,
11 if a multiple of 5 cents and not a multiple of 10 cents, to the
12 next highest multiple of 10 cents.

13 “(4) Premiums for coverage under this section shall be
14 paid in the same manner as premiums under this part are
15 paid under section 1840.

16 “(5) Premiums paid under this subsection shall be cred-
17 ited, in a manner established by the Secretary, to the Federal
18 Hospital Insurance Trust Fund and to the Federal Supple-
19 mentary Medical Insurance Trust Fund, in proportion to the
20 proportion of expenses paid for benefits and administrative
21 costs under this section that are attributable to the benefits
22 (and administrative costs thereof) described in paragraphs (1)
23 through (3) or described in paragraph (4), respectively, of
24 subsection (b).

1 "MEDICARE OPTION FOR COVERAGE OF SELECTED OUTPA-
2 TIENT PRESCRIPTION DRUGS FOR THE TREATMENT
3 OF CHRONIC ILLNESS

4 "SEC. 1846. (a)(1) Each individual enrolled (or eligible
5 to be enrolled) under this part may elect, only in such manner
6 and form and at such times as may be prescribed by regula-
7 tions consistent with this section, to be provided the benefits
8 described in subsection (b).

9 "(2) Each individual deemed to be enrolled under this
10 part under section 1837(f), or who is otherwise enrolled
11 under this part, shall be deemed to have elected coverage
12 under this section unless the individual files notice that the
13 individual does not wish (or no longer wishes) to have cover-
14 age under this section.

15 "(3) An individual who files such a notice not to elect or
16 to terminate coverage under this section may not thereafter
17 elect coverage under this section.

18 "(4) The period during which an individual is entitled to
19 benefits under this section shall begin—

20 "(A) in the case of an individual who is deemed to
21 have elected coverage under this section, on the first
22 day of the first month in which the individual is enti-
23 tled to benefits under this part under section 1838, or

1 “(B) in the case of an individual who otherwise
2 elects coverage under this section, on the first day of
3 the month following the month in which he so enrolls.

4 “(5) An individual coverage period under this section
5 shall continue until—

6 “(A) the individual’s enrollment under this part is
7 terminated (pursuant to section 1838(b)),

8 “(B) the individual has filed notice that the indi-
9 vidual no longer wishes coverage under the option
10 under this section, or

11 “(C) the coverage period is terminated for non-
12 payment of premiums under this section.

13 The termination of a coverage period under subparagraph (A)
14 shall take effect as of the date of termination under section
15 1838(b). The termination of a coverage period under subpara-
16 graph (B) shall take effect (except as otherwise provided
17 under section 1843(e)) at the close of the calendar quarter
18 following the calendar quarter in which the notice is filed,
19 except that where an individual who is deemed to have elect-
20 ed the option of coverage under this section under paragraph
21 (2) files a notice before the first day of the month in which his
22 coverage period under this section begins, advising that he
23 does not wish such coverage, the termination of the coverage
24 of the coverage period resulting from such deemed enrollment
25 shall take effect with the first day of the month the coverage

1 would have been effective. The termination of a coverage
2 period under subparagraph (C) shall take effect on a date
3 determined under regulations, which may be determined so
4 as to provide a grace period in which overdue premiums may
5 be paid and coverage continued. The grace period determined
6 under the preceding sentence shall not exceed 90 days,
7 except that it may be extended to not to exceed 180 days in
8 any case where the Secretary determines that there was
9 good cause for failure to pay the overdue premiums within
10 such 90-day period.

11 “(6) No payments may be made under this part with
12 respect to expenses of an individual covered under this sec-
13 tion unless such expenses were incurred by such individual
14 during a period which, with respect to the individual, is a
15 coverage period under this section.

16 “(b)(1) The benefits provided to an individual covered
17 under this section shall consist of entitlement to have pay-
18 ment made on the individual’s behalf for medical expenses for
19 prescription drugs for the treatment of chronic illness (as de-
20 fined in subsection (d)(1)). Payments of benefits under this
21 section, and administrative costs attributable to payment of
22 such benefits, shall be made from the Federal Supplementary
23 Medical Insurance Trust Fund.

24 “(2) The Secretary shall establish for each calendar year
25 (beginning with 1986) a prospective payment schedule which

1 establishes the amount of payment to be made under this
2 section for medical expenses for prescription drugs for the
3 treatment of chronic illness furnished during that year.

4 “(3) In making payments of benefits under this section,
5 the Secretary may provide for use of carriers described in
6 section 1842 or such other claims processing system as the
7 Secretary may recognize.

8 “(4) For purposes of carrying out subsection (d)(1)(F),
9 the Secretary shall establish, by therapeutic category, a for-
10 mulary of the drugs and biologicals) of drugs and biologicals
11 which the Secretary determines to be necessary for treatment
12 of a chronic disease.

13 “(c)(1) The Secretary shall, during September of 1984
14 and of each year thereafter, determine the monthly actuarial
15 rate for enrollees electing coverage under this section which
16 shall be applicable for the succeeding calendar year. Such
17 actuarial rate shall be the amount the Secretary estimates to
18 be necessary so that the aggregate amount for such calendar
19 year with respect to enrollees electing coverage under this
20 section will equal the total of the benefit and administrative
21 costs which the Secretary estimates will be payable from the
22 Federal Supplementary Medical Insurance Trust Fund for
23 prescription drugs for the treatment of chronic illness fur-
24 nished and related administrative costs incurred in such cal-
25 endar year under this section. In calculating the monthly ac-

1 tuarial rate, the Secretary shall include an appropriate
2 amount for a contingency margin.

3 “(2) The monthly premium of each individual covered
4 under this section for each month shall be the amount equal
5 to the monthly actuarial rate for enrollees, determined under
6 paragraph (1) and applicable to such month. Whenever the
7 Secretary promulgates the dollar amount which shall be ap-
8 plicable as the monthly premium for any period, he shall, at
9 the time such promulgation is announced, issue a public
10 statement setting forth the actuarial assumptions and bases
11 employed by him in arriving at the amount of an adequate
12 actuarial rate for enrollees as provided in paragraph (1).

13 “(3) If any monthly premium otherwise determined
14 under this subsection is not a multiple of 10 cents, such pre-
15 mium shall be rounded to the nearest multiple of 10 cents or,
16 if a multiple of 5 cents and not a multiple of 10 cents, to the
17 next highest multiple of 10 cents.

18 “(4) Premiums for coverage under this section shall be
19 paid in the same manner as premiums under this part are
20 paid under section 1840.

21 “(d) As used in this section:

22 “(1) The term ‘prescription drugs for treatment of
23 chronic illness’ means a drug or biological that—

24 “(A) can be self-administered,

25 “(B)(i) is insulin, or

1 “(ii) requires the prescription of a physician
2 (as defined in section 1861(r)(1)),

3 “(C) is prescribed when the individual requir-
4 ing such drug or biological is not an inpatient in a
5 hospital or skilled nursing facility,

6 “(D) is dispensed by a pharmacist from a
7 participating pharmacy (as defined in paragraph
8 (2)), or, in such emergency circumstances as a
9 participating pharmacist is not available, by a
10 physician (described in section 1861(r)(1)),

11 “(E) is dispensed in quantities consistent
12 with proper medical practice and reasonable pro-
13 fessional discretion, and

14 “(F) is contained in the formulary established
15 by the Secretary under subsection (b)(4).

16 “(2) The term ‘participating pharmacy’ means a
17 pharmacy, or other establishment (including the outpa-
18 tient department of a hospital) providing pharmaceuti-
19 cal services, which—

20 “(A) is licensed as such under the laws of
21 the State (where such State required such licen-
22 sure) or is otherwise lawfully providing pharma-
23 ceutical services in which the drug or biological is
24 provided or otherwise dispensed,

1 “(B) has agreed with the Secretary to act as
2 a participating pharmacy in accordance with this
3 paragraph and complies with such other require-
4 ments as may be established by the Secretary in
5 regulations to assure the proper, economical, and
6 efficient administration of this title,

7 “(C) has agreed to submit, at such frequency
8 and in such form as may be prescribed in regula-
9 tions, bills for amounts payable under this section
10 for prescription drugs for treatment of chronic ill-
11 ness, and

12 “(D) files with the Secretary an agreement—

13 “(i) not to charge any individual or any
14 other person any amounts for the furnishing
15 of prescription drugs for the treatment of
16 chronic illness for which the individual is en-
17 titled to have payment made under this sec-
18 tion (or for which he would be so entitled if
19 the pharmacist had complied with the proce-
20 dural and other requirements under this
21 section);

22 “(ii) to make adequate provision for
23 return (or other disposition in accordance
24 with regulations) of any moneys incorrectly

1 collected from such individual or other
2 person; and

3 “(iii) to provide prominent notice of the
4 pharmacist’s participation in the program
5 under this section.

6 The provisions of subsections (a)(3), (b), and (c) of sec-
7 tion 1866 (relating to termination of provider agree-
8 ments) shall apply to agreements described in subpara-
9 graph (D) as they apply to agreements under such
10 section.”.

11 (b) Section 1839(d) of such Act (42 U.S.C. 1395r(d)) is
12 amended by striking out “section 1837(g)(1)” and inserting in
13 lieu thereof “sections 1837(g)(1) and 1845(c)(3)”.

14 (c) Section 1843 of such Act (42 U.S.C. 1395v) is
15 amended by adding at the end the following new subsection:

16 “(i) Each agreement entered into with such State pursu-
17 ant to subsection (a) shall provide for the election, with re-
18 spect to individuals covered under the agreement, of the op-
19 tional benefits described in sections 1845 and 1846.”.

20 (d) Section 1844(a)(1) of such Act (2 U.S.C.
21 1395w(a)(1)) is amended by inserting “(other than under sec-
22 tions 1845 and 1846)” in subparagraphs (A) and (B) after
23 “premiums” the first place it appears in each subparagraph.

24 SEC. 3. (a) Section 1845 of the Social Security Act (as
25 added by section 2 of this Act) shall not apply to benefits

1 provided under part B of title XVIII of the Social Security
2 Act for services furnished before January 1, 1985.

3 (b) Section 1846 of the Social Security Act (as added by
4 section 2 of this Act) shall not apply to benefits under part B
5 of title XVIII of the Social Security Act for prescription
6 drugs for the treatment of chronic illness furnished before
7 January 1, 1986.

8 (c) The amendment made by section 2(c) shall only
9 apply to optional benefits made available consistent with sub-
10 sections (a) and (b) of this section.

11 (d)(1) The Secretary of Health and Human Services
12 shall provide, in the case of an individual enrolled under part
13 B of title XVIII of the Social Security Act as of December
14 31, 1984, or as of December 31, 1985, that the individual
15 shall be deemed to be enrolled for coverage (and to have a
16 coverage period begin) under section 1845 and section 1846,
17 respectively, of such Act as of January 1, 1985, or as of
18 January 1, 1986, respectively, unless the individual files, in
19 accordance with rules established by the Secretary, notice of
20 intention not to elect such coverage.

21 (2) The Secretary shall provide for notice during Octo-
22 ber 1984 and during October 1985 to such individuals of the
23 provisions of paragraph (1) and the relationship of the options
24 for coverage under section 1845 or under section 1846, re-
25 spectively, of the Social Security Act to any medicare supple-



1 mental policies (described in section 1882(g)(1) of such Act)
2 which are available and in which a significant number of such
3 individuals are likely to be enrolled.

4 (e) Not later than September 30, 1985, the Secretary
5 shall establish—

6 (1) the formulary referred to in subsection (b)(3) of
7 section 1846 of the Social Security Act,

8 (2) the payment schedule referred in subsection
9 (b)(1) of such section, and

10 (3) the claims processing system to be used for
11 the payment of benefits under such section.

12 SEC. 4. The Secretary of Health and Human Services,
13 not later than October 1, 1988, shall report to Congress on
14 alternatives for reducing the cost-sharing burdens placed
15 under title XVIII of the Social Security Act on individuals
16 entitled to benefits under that title.

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